



GSA PBS Customer Forum

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The Basics of Lease Procurement

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Agenda



- ***GSA's Mission***
- ***The Lease Process***
 - Documents
 - Key client interactions

GSA Mission Statement

- Deliver value and savings in real estate, acquisition, technology, and other mission-support services across Government.

The Lease Process

Pre-Award

- Requirements Development
- Market Survey
- Solicitation
- Negotiations

The Lease Process

Post Award

- Design Phase (DIDs and CDs)
- Tenant Improvement (TI) Negotiation
- Construction Phase/ Build-Out
- Acceptance & Occupancy

The Lease Process - Getting to Know You

- Project Manager (PM)
- Leasing Specialist (LS)
- Lease Contracting Officer (LCO)
- Broker
- Lease Administration Manager (LAM)

Lease Process - Standard

Requirements Development

- Delineated Area
- Square Footage
- Special Requirements

Solicitation

- RLP Package

Post Award

- DIDs/CDs
- TI negotiation
- Build-out
- Acceptance/Occupancy

Step 1

Step 2

Step 3

Step 4

Step 5

Award

Pre-Solicitation

- Market Survey

Negotiations

- Rate based on TI allowance

Requirements Development

- GSA sends tenant agency a “Lease Expiration Letter” prior to lease expiration date
- Letter includes a draft Client Project Agreement (CPA) outlining agency’s current SF and suggested future space needs
- Interactive process between GSA and agency.

Requirements Development

- Determine Strategic Requirements
 - Square Footage (OMB Memorandum “Reduce the Footprint”)
 - Delineated Area
 - Term
- Identify Unique and Special Requirements
- Agency Specific Requirements (ASRs)
- Goal: finalize technical requirements 24/36 months prior to lease expiration

Housing Strategy - Where to Place You?



- Available space in federal buildings
- Available vacant space in leased inventory
- Available space in commercial market
- New federal construction (rare)

Occupancy Agreement (OA)

- Documents agreement between GSA PBS and tenant agency for agency to pay rent to GSA
- Ensures PBS does not incur financial obligations in excess of terms the tenant agency customer is willing to commit - a budgetary tool
- Helps to eliminate rent disputes between agencies and GSA
- Contains clauses (business terms) and financial summary
- Iterative document

Customer: Sign OA

Occupancy Agreement (OA)



Lease Process - Standard

Requirements Development

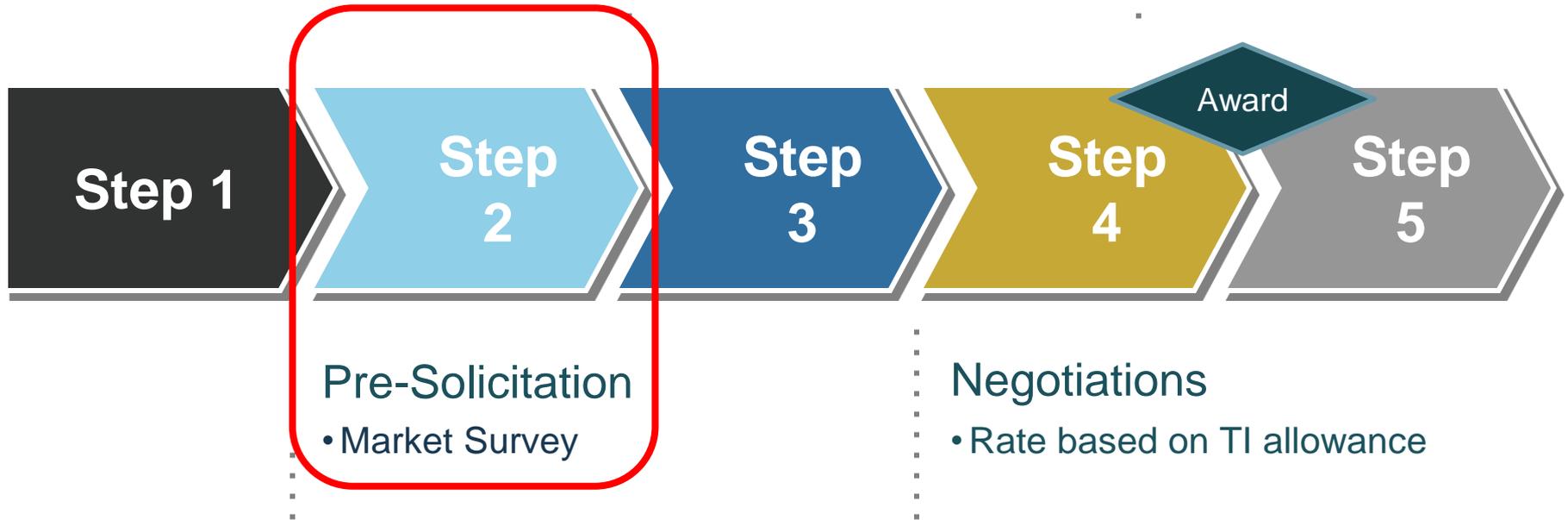
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Market Survey

Purpose:

- Identify all potential acceptable properties that can house agency
- Foster competition
- Obtain a sense of market conditions
- Develop negotiation objectives

Market Survey

- Conduct Market Research
- Advertise, as Needed
 - Requirement of 10,000 SF and above
 - Requirements that are in smaller submarkets that might otherwise lack adequate competition

Market Survey

- Schedule Market Survey: Key Players
 - Customer representatives
 - GSA Leasing Specialist/Lease Contracting Officer, Broker, Field Office representative
 - DHS's Federal Protective Service
- Discuss ground rules

Customer: Provide availability

Market Survey

- Tour potential properties with building owner, agent or representative
 - Building and common areas
 - Within premises/space
- Market survey form
 - Site and surrounding neighborhood features
 - Architectural features
 - Space characteristics
 - Conformity with accessibility & fire safety standards
 - Conformity with go/no-go criteria

Customer: Attend Market Survey

Market Survey

- For each location, reach **consensus** between PBS and you, the customer, whether or not building is **capable** of meeting your requirements
- End result is list of offers/locations to receive solicitation

Customer: Sign Market Survey Report/Form

Lease Process - Standard



Request for Lease Proposals (RLP)

- Performance-based, not prescriptive
- Results in an offer
- Must be issued to all parties with acceptable locations
 - Usually solicit current Lessor
 - Always send copy to agency and field office



Customer: Review/Approve RLP package

RLP Package Components

- RLP (GSA Form R100)
- Scope of Work
 - Lease (GSA Form L100)
 - ISC security specs
 - Special/Specific Requirements
- “The Fine Print”
 - Solicitation Provisions
 - General Clauses
- Offer Forms

RLP Package - Customer Focus

- RLP (GSA Form R100)
- Scope of Work
 - Lease (GSA Form L100)
 - ISC security specs
 - Special/Specific Requirements
- “Ground Rules”
 - 3516 (Procurement)
 - 3517 (Lease)
- Offer Forms

Request for Lease Proposals

The Five Sections

- Section 1 – Statement of Requirements
- Section 2 – Eligibility and Preferences for Award
- Section 3 – How to Offer
- Section 4 – Method of Award
- Section 5 – Additional Terms and Conditions

Section 1- Statement of Requirements

Starts to answer basic questions of the lease procurement

- What...are we looking for?
 - Amount of space
 - Type of space, lease term
 - Fully serviced, fully-built out
- Where... does the space need to be located?
 - Delineated area
 - Neighborhood amenities, parking and public transportation
- Who...gets the proposal?
 - GSA Leasing Specialist, Lease Contracting Officer, National Broker firm, etc.

Section 2 – Eligibility and Preference for Award

- Provides Go/ No Go Minimum Requirements
 - Flood Plains
 - Seismic Safety
 - Asbestos
 - Accessibility
 - Fire Protection and Life Safety
 - Security
 - Energy Independence and Security Act

Section 3 – How To Offer

- Describes the offer submittal requirements (pricing forms, building and site information, floor plans, etc.)
- Addresses financial capability
- Scoring and prospectus limitations addressed
- States required TI Allowance

Tenant Improvement Allowance

- Funding source that enables the space to be built out
- Two components
 - General
 - Custom
- Can only be used to pay for items that are real property, or which become real property when attached or affixed to the building

Tenant Improvement Allowance

- Usually amortized over firm term of the lease
- If full allowance is not used for initial build-out, no longer available
- Rent payment is lower if an amount less than the allowance limit is used
- Alterations above the TIA or occurring after occupancy are funded by agency via RWA

Section 4 – Method of Award

- Outlines basis for award determination
 - Lowest price
 - Best value (award factors)
- Price evaluation based on net present value (NPV) analysis (discounting)
 - Rent
 - Relocation expenses
 - Overtime
 - TI overhead fees (Lessor and A/E)

Section 5 – Additional Terms and Conditions

- Space for additional pre-award considerations
 - Eligibility requirements
 - Submittal requirements
 - Award considerations
- Includes cross-references to modification of standard paragraph language
- Should **not** include agency's special requirements

The Lease - The Seven Sections

- Section 1 – Premises, Rent and Other Terms
- Section 2 – General Terms, Conditions and Standards
- Section 3 – Construction Standards and Shell Components
- Section 4 – Design, Construction & Post-Award Activities
- Section 5 – Tenant Improvement Components
- Section 6 – Utilities, Services & Obligations During the Lease Term
- Section 7 – Additional Terms and Conditions

Section 1- Premises, Rent and Other Terms

- Left blank at RLP issuance
- Will be filled in by GSA at award
- Captures the terms of the deal
 - Square footage, rental rates, OT rates, % of occupancy, etc.

Section 2 – General Terms, Conditions and Standards

- Applies to all deals
- Definitions
- Adjustment provisions
 - Tax escalation
 - Operating Escalations
 - Adjustment for Vacant Premises
- Non-operational ownership issues
 - Waiver of Restoration
 - Change of Ownership

Section 3 – Construction Standards and Shell Components

- Addresses what owners need to know to prepare shell rent rates
- Specifications related to shell or overall building construction
- If not defined as Operating, TI, or Building Specific Amortized Capital, it's considered a shell cost

Section 4 – Design, Construction & Post-Award Activities

- Addresses the sequence of events after award
 - Schedule and deliverables
 - Working days, not calendar days
- DIDs/CDs
- Acceptance of TI buildout is final and binding, except for punchlist items
- As-builts

Section 5 – Tenant Improvement Components

- Addresses how the space will be built out
- Finishes
 - Minimum of 3 finish options
 - 10 working days to submit
 - 10 working days for Government selection
- Includes latest paint and carpet specifications

Section 6 – Utilities, Services & Obligations During the Lease Term

- Addresses what services are required over the life of the lease
- Cyclical paint and carpet schedule found here
 - Refresh should not coincide with lease expiration
- HVAC : Local commercial equivalent temperature level and operating practices

Section 7 – Additional Terms and Conditions

- Allows for additional lease requirements
- Includes cross references to modification of standard paragraph language
- Special requirements can be here, or as a separate ASR package

Lease Process - Standard

Requirements Development

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Pre-Solicitation

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Negotiations

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Negotiations

- Evaluate offers solely in accordance with the factors and sub factors stated in the RLP
- Identify deficiencies, inconsistencies, and deviations
- Review elements of the proposed rent to analyze whether individual elements are realistic and reflect offeror's clear understanding of the work to be performed
- Obtain revised offers (as needed)
- Ensure proposed contract price is fair and reasonable

Negotiations - Rent Components

- Shell costs
- Operating costs
- TI amortization rate
- TI overhead fees
- Hourly overtime rate
- Building Specific Amortized Capital
- Parking

Negotiations - Final Proposal Revision (FPR)

- Conclude negotiations with request for Final Proposal Revisions (FPR)
 - No revisions to offer considered after FPR date
- Determine Best Offer (PVA)
 - Lowest-Priced Technically Acceptable Offer
 - Best Value/Tradeoffs
- Document negotiations via Price Negotiation Memorandum (PNM)

Other Pre-Award Activities

- SME reviews
 - Fire and Life Safety
 - ABAAS
 - NEPA/106
 - Legal
- EEO Compliance Reviews
- Scoring check (operating vs. capital lease)
- Small Business Subcontracting Plans
- Funds certification (always!!!!)



Award

- Send Agency Recommendation Letter and Revised OA to sign and return based upon negotiated terms

Customer: Sign OA

Customer: Provide RWA if needed

- Transmit 2 copies of lease to successful offeror
- Execute lease contracts, return one copy to Lessor
 - Provide copies of lease contract to agency and field office
 - Notify unsuccessful offerors
 - Post award notice in FedBizOpps

Lease Process - Standard

Requirements Development

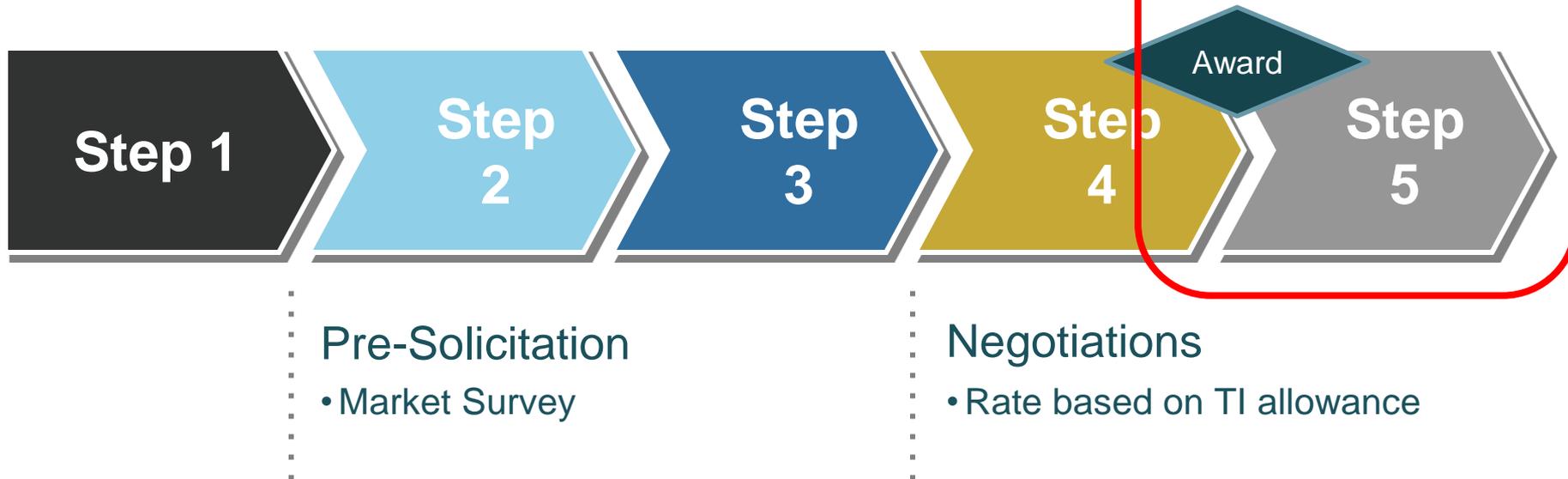
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Design Intent Drawings (DIDs)

- Also known as floor plans, layout, fit-out plans, or space plan
- Can be provided by Lessor, Agency, or GSA
- Typically Include:
 - Partitions/Doors/Hardware/Finishes
 - Telephone/Electric outlets/IT/Security
 - Millwork/Specials
 - Generic Furniture layout

Design Intent Drawings (DIDs)

- May have design kickoff meeting to generate
- Consider DID Workshop (best practice)
- Review and Approve
 - GSA and Customer
 - Codify in a Lease Amendment



Customer: Develop or Review DIDs, choose finish selections

Resource - [GSA's DID Review Guide](#)

Construction Documents (CDs)

- Always provided by Lessor's A/E
- Approved DIDs are the baseline
- GSA DOES NOT APPROVE CDs
- Require A/E seal for building permits
- Used by Lessor for obtaining construction bids for tenant improvements

May be reviewed by GSA / Customer

Tenant Improvement Negotiations

- “Procurement Within a Procurement”
- Lessor bids out the CDs for TI work only
- Lease requires bids from 2 or more separate General Contractors (GC)
- GSA may prepare Independent Government Estimate (IGE) to compare against bids

Tenant Improvement Negotiations

- Review proposals
- Identify questions, discrepancies, etc.
- Confirm no shell items are included in TI Proposal
- Verify price is fair and reasonable
- If TI Costs exceed the TI Allowance an RWA is required
- Issue Notice to Proceed (NTP) for construction

Customer: Provide additional RWA funds if needed

Construction Kick-off Meeting

- Include all Parties
 - GSA/Broker
 - Lessor (A/E and GC)
 - Customer
 - Field Office
- Review Roles and Responsibilities
- Establish Communication Protocols
- Review project requirements, submittals and schedule
- Conduct Progress Meetings/Site-Visits/Inspections, as needed

Customer Vendor Coordination



*Customer: Coordinate with your vendors,
Lessor (thru GSA PM and/or LCO)*

- Installation of:
 - Furniture
 - IT
 - Security
 - Telecom
 - Other
- Impact on schedule (critical path)

Accepting the Space

- Lessor notifies GSA two weeks prior to construction completion for final inspection
- Who attends?
 - Leasing Specialist/Lease Contracting Officer
 - Customer representative (Facilities & Local)
 - Lessor (A/E & GC)
 - Field Office representative
 - DHS-FPS

Accepting the Space

Final Inspection

- Generate Punch List
- Determine substantial completion
- Obtain Certificate of Occupancy
- Reach agreement on space measurement
- Accept Space and acquire keys

Customer: Attend and document acceptance via signed GSA Form 1204

Moving Day!

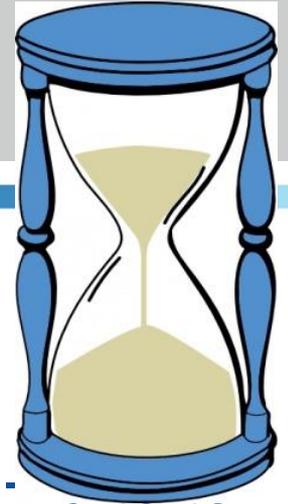
- May request GSA Field Office to coordinate
- GSA Field Office would also take over at this point as the agency's main POC

Initiate Rent

- Issue Lease Amendment to establish lease terms (effective date, square footage, annual rent) and commence rent
- Issue Final OA to bill Customer

Customer: Sign OA if pricing increases

Recap...



- Actively engage in requirements development process
- Continuously communicate throughout process - confirm direction/decisions
- Participate in market survey
- Provide timely reviews, submittals and signatures for OAs
- Review RLP package prior to distribution
- Provide timely review or submittal of DIDs
- Participate in construction meetings as necessary
- Attend space acceptance inspection

Questions?

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